

Even could the Committee prove that Crowley improperly delayed Coram's bankruptcy filing, Coram does not appear to have suffered damage as a result. There is no reason to believe that the deterioration in the company's performance beginning in mid-2000 was in any way attributable to Coram's failure to file earlier in the year. Arguably, an earlier filing would have precipitated an earlier decline in performance.

## 2. The Asserted Causes of Action

Based on the foregoing allegations, the Complaint asserts claims against Crowley and Feinberg for breach of fiduciary duty and fraudulent misrepresentation. (Counts I and IV) The Complaint also asserts three claims against Cerberus, alleging that (i) it is liable as principal for the alleged misconduct of Crowley, its agent; (ii) it aided and abetted Crowley's alleged breaches of fiduciary duty by knowingly inducing those breaches; and (iii) it owed and breached fiduciary duties of its own by virtue of its supposed *de facto* control over Coram's affairs. (Counts II, III and V) We address these in turn below.

### a. Crowley and Feinberg

Goldin believes that Crowley and Feinberg's actions amounted to a breach of fiduciary duty, but the scope of, and remedies for, the breach are far more limited than the Equity Committee asserts. Crowley and Feinberg breached their fiduciary duties to Coram by failing to disclose the full extent of the Crowley/Cerberus relationship to Coram's other directors and officers. As the Bankruptcy Court has found, Crowley's employment agreement with Cerberus constituted an "actual conflict of interest" and the non-disclosure of that agreement "tainted the debtors' restructuring of its debt, the debtors' negotiations towards the plan [and] even the debtors' restructuring of its operations." (Tr. of Dec. 21, 2000 hearing at 88-89) Nonetheless, as noted, Crowley does not appear to have mismanaged Coram for the benefit of the Noteholders.

Consequently, the undisclosed conflict caused Coram no actual harm, other than the relatively limited damages resulting from the Bankruptcy Court's inability to confirm the Debtors' Plan of Reorganization.

The Equity Committee has suggested that, under Delaware law (which governs its claims), punitive damages are potentially available as a remedy. (Motion for Leave to File Adversary Proceeding, dated Feb. 6, 2001, at ¶ 4) Our research has disclosed no support for this proposition. To our knowledge, no reported decision applying Delaware law has ever awarded punitive damages (or even suggested that such damages may be appropriate) for breaches of duty in the corporate context.<sup>31</sup>

To be sure, as the Committee notes, Delaware courts frequently characterize the remedies available for breaches of the duty of loyalty as "expansive," *Cede & Co. v. Technicolor*, 542 A.2d 1182, 1187 (Del. 1988), and as involving "[t]he strict imposition of penalties . . . designed to discourage disloyalty," *Bomarko v. Int'l Telecharge, Inc.*, 1999 WL 1022083, at \*21 (Del. Ch. Nov. 16, 1999). However, as the Delaware Supreme Court recently observed, statements of this sort

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<sup>31</sup> A jury in Indiana did in one case award punitive damages for perceived breaches of fiduciary duty committed by majority shareholders of a Delaware corporation. See *Nagy v. Riblet Products Corp.*, 79 F.3d 572 (7th Cir. 1996). However, the district court had charged the jury under Indiana, not Delaware, law on all issues. See *id.* at 576. On appeal, the Seventh Circuit held the breach of duty claim was governed by Delaware law and certified to the Delaware Supreme Court the question whether defendants' fiduciary duties were even implicated, given that the suit arose under an employment agreement. *Id.* at 577-78. The Delaware Supreme Court answered the certified question in the negative, holding that "[t]his is not a case of breach of fiduciary duty," but, rather, "a case governed by an employment contract." *Riblet Products Corp. v. Nagy*, 683 A.2d 37, 40 (Del. 1996). In light of its ruling, the Delaware Supreme Court did not address the availability *vel non* of punitive damages. *Id.* at 40 n.6.

stand for nothing more than the proposition that the imposition of damages should eliminate the possibility of profit flowing to defendants from the breach of the fiduciary relationship.

*Int'l Telecharge, Inc. v. Bomarko, Inc.*, 766 A.2d 437, 441 (Del. 2000). While many Delaware cases recognize the propriety of disgorgement as an alternative to compensatory damages, e.g., *Thorpe v. CERBCO, Inc.*, 676 A.2d 436, 445 (Del. 1996) (ordering disgorgement, despite a lack of harm to the corporation, on the ground that "a fiduciary [should] not profit personally from his conduct"), not one of those cases suggests the availability of a monetary remedy that is punitive in nature, i.e., that is, that goes beyond the twin goals of disgorgement and compensation of loss.

A recent Chancery Court decision, *Cantor Fitzgerald, L.P. v. Cantor*, 2001 WL 536911, at \*3 (Del. Ch. May 11, 2001), illustrates the Delaware courts' unwillingness to award punitive damages, even for serious breaches of duty. There, the court repeatedly characterized the defendants' breaches of their duty of loyalty as "egregious." *Id.* at \*1, 3 In addition, with the defendants' conduct having harmed plaintiff "in several identifiable, but inherently unmeasurable, ways," the court found that even an award of compensatory damages "will not make the plaintiff completely whole." *Id.* at 3 Nonetheless, the court declined to award damages beyond the amount of plaintiff's attorneys' fees and expenses, observing that any greater award "could fairly be deemed tantamount to awarding punitive damages." *Id.*; see also *id.* (noting "the peril of over-harshly punishing the defendants").

Under Delaware law, therefore, only two kinds of remedies are potentially available in a suit against Crowley and Feinberg. A court might order disgorgement of an appropriate portion of Crowley's compensation or, more precisely, a reduction of the approximately \$13.4 million owed under his employment agreement. In addition, Crowley and Feinberg might be held liable for Coram's actual damages, which appear to be limited to the

losses related to the Debtors' inability to obtain confirmation of their Plan of Reorganization.

These losses fall into two categories:

1. The non-disclosure of Crowley's conflict of interest has caused or will cause Coram to have to pay approximately \$5 million to \$6 million more in fees and expenses to bankruptcy professionals than it otherwise would have paid. The bulk of these additional fees and expenses -- about \$4 million to \$5 million -- are those that have been incurred since the December 21, 2000 conclusion of the confirmation hearing by the various counsel and financial advisors to the Debtors and the two official committees, as well as by Goldin and its counsel, as a result of the inability to conclude the bankruptcy. In addition, the non-disclosure of Crowley's conflict of interest caused the December 2000 confirmation hearing and related discovery to be significantly more protracted and costly than would otherwise have been the case and will cause Coram to have to bear the expense of a second confirmation hearing later this year. While any estimate of the magnitude of these additional expenses (the incremental cost of the December 2000 hearing and the total cost of the future confirmation hearing) is necessarily imprecise, Goldin estimates them to be at least \$1 million.

2. Independent of the professional fees, the approximately ten-month delay in concluding this bankruptcy will cause Coram business losses with an estimated present value of between \$7 million and \$9 million. Assuming that an earlier emergence from chapter 11 would have resulted in an earlier realization of (i) higher revenues and (ii) correspondingly higher EBITDA, Goldin estimates that the ten-month delay in confirmation of Coram's plan of reorganization will cause the company's EBITDA in the years 2001 through 2004 to be approximately \$4 million to \$5 million lower, in the aggregate, than it would have been had the Plan been confirmed last December. Using the discounted cash flow assumptions discussed in

Section IV above (including an 18.1% discount rate and a 7.0x exit multiplier), the effect is to reduce Coram's enterprise value by approximately \$8 million. Changes in the assumptions used would, of course, change the amount of the estimated loss.

b. Cerberus

Goldin believes that the three claims the Equity Committee asserts against Cerberus are unlikely to prevail. As discussed in Section V.A.1 above, the evidence suggests that Feinberg did not intend for or expect Crowley to disregard his fiduciary duties to Coram. Because of the apparent lack of wrongful intent on Feinberg's part, the Equity Committee is unlikely to be able to prove that Crowley was acting *at Coram* as Cerberus' "agent" (Count II) or that Cerberus *knowingly* induced Crowley to breach his fiduciary duties (Count III) or that Cerberus exercised *de facto* control over Coram's affairs (Count V).<sup>32</sup>

B. The Equity Committee's Objections to Confirmation

The Equity Committee objected to confirmation of the Debtors' Plan of Reorganization on three principal grounds: (i) the Plan did not satisfy the "fair and equitable" requirement of Bankruptcy Code § 1129(b) because the value of the distributions to be made to the Noteholders supposedly exceeded the amount of their claims; (ii) the Plan did not satisfy the requirement of Code § 1129(a)(3) that it be "proposed in good faith and not by means forbidden

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<sup>32</sup> It is possible that Cerberus might be held liable for Feinberg's breaches of fiduciary duty on an alternative ground, which the Equity Committee has not yet asserted, *i.e.*, that Cerberus is liable as principal for the breaches of Feinberg, its agent. Feinberg served on Coram's board in his capacity as agent for Cerberus, which (along with the two other Noteholders) designated him as board representative pursuant to the loan documents. Nonetheless, the limits on recoverable damages under Delaware law, discussed above, would apply to claims against Cerberus as much as to those against Feinberg.

by law"; and (iii) Cerberus' claim, which the Plan presumed to be valid, should be recharacterized as equity.<sup>33</sup> We address these objections in turn below.

1. The "Fair and Equitable" Requirement

As discussed in Section IV above, we believe the Equity Committee's first objection to the Plan was unfounded at the time of the confirmation hearing and is still unfounded. Goldin's valuation indicates that, far from having an enterprise value in excess of its approximately \$290 million of debt (at the time of the confirmation hearing), Coram's enterprise value was approximately \$198 million in December 2000 and is approximately \$240 million today.

2. The "Good Faith" Requirement

Given the record before it at the confirmation hearing, the Bankruptcy Court was unable to find that the Debtors had proposed the Plan in good faith as required by Bankruptcy Code § 1129(a)(3). (Dec. 21, 2000 Tr. at 87) The Court found that the contractual relationship between Cerberus and Crowley gave rise to an "actual conflict of interest" on Crowley's part, which "tainted the debtors' restructuring of its debt, the debtors' negotiations towards a plan, [and] even the debtors' restructuring of its operations." (*Id.* at 88-89) As a result, the Court concluded, it was impossible to know whether "we would be in the same boat today or whether a

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The Equity Committee also objected to the Plan's releases of direct shareholder claims against Crowley, Feinberg and others, contending that these releases are improper as a matter of law. The objection is well-founded. Under the standards articulated by the Third Circuit in *In re Continental Airlines*, 203 F.3d 203 (3d Cir. 2000), non-consensual releases of direct shareholder claims are clearly impermissible in the circumstances of this case. By contrast, the Plan's releases of claims held by the Debtors' estates are permissible, provided the Plan amendments recommended in Section II above are implemented.



different plan would have been proposed by the debtor" had Crowley not suffered from an undisclosed conflict of interest. (*Id.* at 65)

The central focus of Goldin's investigation has been to address the question raised by the Court: whether, absent Crowley's undisclosed conflict of interest, Coram would be "in the same boat today" or, instead, would be in a financial position strong enough to entitle its equity holders to share in distributions under its Plan of Reorganization. As the Court observed, that question is inherently speculative and can never be answered with certainty. Nonetheless, Goldin's investigation-- which has included extensive review of Coram's financial records and other documents, interviews of more than 35 present and former representatives of Coram and its creditors, and comprehensive financial analysis -- has unearthed no evidence that Coram's financial position would be materially stronger today had the Crowley conflict been disclosed at the outset.

No evidence suggests that timely disclosure of the conflict would have resulted in more effective management of Coram's operations, in improved financial performance or in the identification (let alone consummation) of a possible merger, sale or financing transaction that might have enabled Coram to avoid bankruptcy. Nor is there any evidence that Coram's financial records, or its accounting or financial management systems, have been malevolently manipulated in any way, much less in a way that might alter the conclusion that the enterprise value of Coram is now, and has at all pertinent times been, substantially below the amount of its debt.

Goldin believes that at a confirmation hearing on an amended Plan of Reorganization (particularly one that incorporates a settlement along the lines discussed in

Section II above) the Court will be in a position to find that the amended Plan has been proposed in good faith. At the initial confirmation hearing the record on good faith was deficient, in part, because evidence of Crowley's conflict of interest had surfaced only weeks before, leaving the parties and the Court with only a limited ability to investigate and determine what effect, if any, the conflict had had on Coram's management. Based on its extensive investigation, Goldin believes that the Court can have confidence that the possibility of mismanagement has been probed adequately.

In Goldin's view, therefore, the Court can fairly conclude that the Debtors' amended Plan satisfies the good faith requirement of Code §1129(a)(3). Given the Debtors' undeniable need to restructure their debts in order to satisfy the requirements of Stark II, there is little question that the Plan "will fairly achieve a result consistent with the objectives and purposes of the Bankruptcy Code." *In re Madison Hotel Associates*, 749 F.2d 410, 425 (7th Cir. 1984); *see also, e.g., In re Zenith Electronics Corp.*, 241 B.R. 92, 108 (Bankr. D. Del. 1999) (Walrath, J.) (plan satisfied the good faith requirement where it was "proposed with the legitimate purpose of restructuring [the debtors'] finances to permit it to reorganize successfully").

### 3. The Validity of Cerberus' Claim

The Plan is predicated on the assumption that the claims of Cerberus and the other Noteholders are valid. Compare Plan § 2.13 (defining "Allowed Coram Note Claims" to mean "the Coram Note Claims") with Plan § 2.11 (defining "Allowed Coram General Unsecured Claim" to mean "a Coram General Unsecured Claim, to the extent it is or has become an Allowed Claim"). Consequently, were Cerberus' claim disallowed or subordinated in whole or in part, and were the Plan not amended to modify Cerberus' treatment accordingly, the "fair and



equitable" requirement of Code §1129(b) would not be satisfied. See generally 7 Lawrence P. King, *Collier on Bankruptcy* ¶ 1129.04[4][a][ii] ("fair and equitable" standard requires that "no creditor . . . be paid a 'premium' over the allowed amount of its claim") (15th ed. rev. 1997).

The Equity Committee contends that Cerberus is guilty of inequitable conduct and that its claim should, therefore, be "recharacterized as equity." Objections to Confirmation, dated November 21, 2000, at ¶ 37 (quoting *Zenith Electronics*, 241 B.R. at 107) This assertion is unfounded. There is no legal basis for recharacterizing Cerberus' debt as equity.<sup>34</sup> Nor does any basis exist for "equitable disallowance" of Cerberus' claim (the doctrine the Equity Committee appears to intend to invoke). Even were Cerberus to be held responsible for Feinberg's breach of duty -- and it is uncertain whether such a result would be warranted -- the maximum appropriate remedy would be a reduction of the amount of Cerberus' claim to the extent necessary to compensate creditors for the damages caused by the non-disclosure of Crowley's conflict of interest.

Prior to the enactment of the Bankruptcy Code, the power of bankruptcy courts to "equitably disallow" a claim in appropriate circumstances, when subordination would not be a

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<sup>34</sup> The doctrine of recharacterization of debt as equity rests not on facts of the sort alleged here -- misconduct by a creditor -- but, instead, on facts indicating that the debt *ab initio* was more akin to an equity contribution than to a debt. "Where a loan has the substance and character of an equity contribution, the court may recharacterize the debt as equity regardless of whether the requirements of equitable subordination have been satisfied." *In re Kids Creek Partners, L.P.*, 200 B.R. 996, 1019 (Bankr. N.D. Ill. 1996). "[T]he primary factor this Court is to consider when evaluating whether funds advanced by a shareholder are the result of an equity contribution or a loan is whether the transaction bears the earmarks of an arm's length negotiation." *In re Cold Harbor Assocs., L.P.*, 204 B.R. 904, 915 (Bankr. E.D. Va. 1997) (citing *Pepper v. Litton*). The Equity Committee has not alleged that Cerberus' debt was in fact an equity contribution *ab initio*, or even that Cerberus engaged in collusive or inequitable behavior in the acquisition of the debt.

sufficient equitable remedy, was well established. *See Pepper v. Litton*, 308 U.S. 295 (1939); (Douglas, J.) (affirming the bankruptcy court's power to subordinate *or* disallow the claim of a fiduciary who had committed gross misconduct in connection with the acquisition of the claim). The language of Bankruptcy Code § 510(c), which expressly codifies the Bankruptcy Court's equitable subordination power but is silent as to disallowance, could be read to suggest that Congress intended to nullify the courts' equitable disallowance power. However, the legislative history makes clear that Congress intended no such result:

This section is intended to codify case law, such as *Pepper v. Litton*, 308 U.S. 295 (1939), . . . and is not intended to limit the court's power in any way. The bankruptcy court will remain a court of equity . . . . Nor does this subsection preclude a bankruptcy court from completely disallowing a claim in appropriate circumstances. *See Pepper v. Litton, supra*

H. Rep. No. 95-595, 95th Cong., 1st Sess. 359 (1977).

Since the Code's enactment, few, if any, courts have had occasion to apply the doctrine of equitable disallowance (perhaps not surprisingly, given that complete subordination of a claim has the same effect as disallowance, except in cases where the debtor is solvent). Nonetheless, the courts that have addressed the issue in *dicta* have overwhelmingly recognized the continuing viability of the equitable disallowance doctrine. *See, e.g., HBE Leasing v. Frank*, 48 F.3d 623, 634 (2d Cir. 1995); *Koch Refining v. Farmers Union Cent. Exch.*, 831 F.2d 1339, 1350-51 (7th Cir. 1987); *Murgillo v. Cal. State Bd. of Equalization*, 176 B.R. 524, 531 (9th Cir. BAP 1995); *In re Outdoor Sports Headquarters*, 168 B.R. 177 (Bankr. S.D. Ohio 1994); *but see In re Foundation for New Era Philanthropy*, 201 B.R. 382, n. 13 (Bankr. E.D. Pa. 1996) (questioning the availability of equitable disallowance after enactment of Code § 510(c)). The Third Circuit has noted, but not decided, this issue. *See Citicorp Venture Capital, Ltd. v.*

*Committee of Creditors*, 160 F.3d 982, 991 n.7 (3d Cir. 1998) ("The rationale of *Pepper* would suggest that, under pre-Code law, a bankruptcy court was authorized to disallow a portion of the fiduciary's claim when that would produce an equitable result. We find it unnecessary here to resolve the issue as to whether equitable 'disallowance' remains an available remedy").

Because equitable disallowance rests on the same principles as equitable subordination, see *Pepper v. Litton*, 308 U.S. at 306-12, the two doctrines are subject to the same equitable limitations. The Third Circuit recently delineated those limitations in *Citicorp Venture Capital*. There, the bankruptcy court equitably subordinated debt claims that CVC, a fiduciary of the debtor, had secretly purchased at a discount in an attempt to gain control of the debtor. The Court of Appeals held that it was appropriate to equitably subordinate CVC's claims to the extent of depriving CVC of any profit on its purchases, but that subordination beyond that extent would only be appropriate if the relief was proportional to the injuries suffered by those who would benefit:

[W]e do not suggest that a bankruptcy court can never impose a subordination remedy beyond disgorgement of profit without putting a specific price tag on the loss suffered by those who will benefit from the subordination. Such quantification may not always be feasible and, where that is the case, it should not redound to the benefit of the wrongdoer. A bankruptcy court should, however, attempt to identify the nature and extent of the harm it intends to compensate in a manner that will permit a judgment to be made regarding the proportionality of the remedy to the injury that has been suffered by those who will benefit from the subordination.

160 F.3d at 991

In the present case, Cerberus has reaped no improper gains by virtue of Feinberg's alleged misconduct. Disgorgement, therefore, is not a proper remedy. At most, equitable

subordination — if warranted, which is questionable<sup>35</sup> — would be appropriate to a limited extent, proportional to the losses Coram has suffered as a result of the nondisclosure of Crowley's conflict of interest. Under the controlling *Citicorp Venture Capital* decision, no greater remedy — and certainly not the drastic remedy of disallowing Cerberus' claim — would be permitted.

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It is uncertain whether Cerberus will be found to be an "insider" for equitable subordination purposes. It is widely recognized that a lender will not be treated as an insider unless it exerts virtually complete control over the borrower. *See In re Paoletta*, 161 B.R. 107, 118 (E.D. Pa. 1993) (collecting cases). A lender's exercise of contractual rights under its loan documents is not by itself sufficient to confer insider status. *See id.* at 120 ("Our attention has not been called to any case wherein a court has equitably subordinated the claims of a non-insider who adhered to the terms of a loan agreement."). Moreover, while Feinberg himself was an insider by virtue of his board seat, *see* Bankruptcy Code § 101(31)(B)(i), that fact alone may be insufficient to confer insider status on Cerberus, given that over 90% of the financial interests in Cerberus Partners, L.P. (the record owner), as well as in the other Cerberus funds that hold participations in the Coram debt, is held by investors unaffiliated with Feinberg.

Were Cerberus not deemed to be an insider, equitable subordination of its claim would be warranted only were it found to have engaged in "gross or egregious misconduct tantamount to fraud, overreaching or spoliation," *In re Paoletta*, 161 B.R. at 122, conduct clearly not present here.

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The above constitutes the Updated Report of the Independent Restructuring Advisor. The attached Exhibits are incorporated herein and should be treated as part of the Updated Report.

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September 4, 2001

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**Coram Healthcare**  
**Appendix 1:**  
**Comparable Market Analysis - Selection of Comparables**

	Charlin 7/00 July 31, 2000	Charlin 12/00 December 4, 2000	UBS 12/00 December 11, 2000	D&T 12/00 December 14, 2000	Goldin 7/00 July 31, 2000	Goldin 12/00 December 14, 2000	Goldin 6/01 June 15, 2001	Goldin 8/01 August 31, 2001
Apria Healthcare Group	X	X		X	X	X	X	X
American Home Patient			X	X	X	X	X	X
Geniva Health Services	X	X	X	X	X	X	X	X
In Home Health			X					
Lincare Holdings, Inc.	X	X						X
Oplon Care, Inc.	X	X	X	X	X	X	X	
Pediatric Services, Inc.			X					
US Oncology, Inc.			X					



## Cqram Healthcare

## Appendix 2

## Comparable Market Analysis- Consideration of Comparables

Criteria:				Details / Comments	
Business Line	Services must include performance of infusion at patients' home			Basic business is day-care for elderly	
Sales	Must exceed \$50 million and/or exceed 10% of company's sales			Discontinued its visiting nurses service, and sold infusion business	
Industry	Home Health Care, SIC 8082			Regional (8 states)	
Structure	Must be publicly traded company and can not be a subsidiary			Regional (South & Southeast)	
Solvency	Can not be in bankruptcy			Home Infusion is not a material part of revenue	
Location	Majority of sales in USA and services to more than a regional area			Provides various medical services to prisons	
Company Name	Net Sales \$ millions	Comp? Y / N		Home Infusion is not a material part of revenue	
Almost Family, Inc.	44.7	N		Subsidiary of MM Corp.	
Amedysys, Inc.	90.8	N		19% of Revenues from home infusion	
America Service Group, Inc.	381.9	N		19% of Revenues from home infusion	
American Disease Mgmt. Assoc, LLC	Not Public	N		Home Healthcare is regional (Northeast)	
American HomePatient, Inc.	363.4	Y		50% of sales through its RoCo-Roller subsidiary	
Apria Healthcare Group Inc.	1,014.2	Y		Home infusion is not a material part of revenue	
Chemed Corporation/Patient Care Inc.	500.7	N		Subsidiary of Landauer Hospital Supplies, Inc.	
Community Care Services, Inc.	Not Public	N		Provides various healthcare services	
Continue Care Corp.	116.6	N		Regional (Florida)	
Dynacq Int'l, Inc.	26.0	N		Home infusion is not a material part of revenue	
EMSA Government Services, Inc.	Not Public	N		Too small	
Geniva Health Services, Inc.	1,505.6	Y		Subsidiary of American Service Group	
Gilling Health Care Inc.	Not Public	N		Home infusion ("Specialty Pharmaceutical Services") 50% of sales	
Home Health Corp. of America, Inc.	174.3	N		Nationwide	
Homadco Group	Not Public	N		Not in Home Health Care SIC 8082	
Housecall Medical Services	Not Public	N		Has filed for chapter 11 bankruptcy protection	
In Home Health, Inc.	80.0	N		Subsidiary of Apria Healthcare	
Infusioncare Solutions, Inc.	Not Public	N		Subsidiary of Adventist Health System	
Inlu-Tech, Inc.	16.7	N		Subsidiary of Manor Care, Inc.	
Integrated Health Services	2,559.3	N		Subsidiary of Amedysys, Inc.	
Interwest Home Medical, Inc.	43.3	N		Too small	
Landauer Hospital Supplies Inc.	47.2	N		Has filed for chapter 11 bankruptcy protection	
Lincare Holdings Inc.	702.5	N		Subsidiary of Praxair	
				Too small	
				Manufactures and markets dosimeters (radiation detection badges)	
				Primary business is oxygen and respiratory home treatment	
				Home infusion is not a material part of revenue	

## Coram Healthcare

## Appendix 2

## Comparable Market Analysis- Consideration of Comparables

Manor Care	2,380.6	N	Mostly "assisted living services" and nursing homes
Matria Healthcare, Inc.	225.8	N	Specializes in services and supplies to diabetics Home infusion is not a material part of revenue
MIM Corp.	389.8	N	Negotiates discounts on pharmacy discounts for its group members
National HealthCare Corp.	492.4	N	Manages Long Term Healthcare Centers Regional (Southeast)
National Home Health Care Corp.	55.6	N	Home care for physical therapy, mental therapy and pediatrics Regional (Northeast)
New York Health Care, Inc.	29.4	N	Too small
NoMED Home Health Care, Inc.	17.1	N	Too small
Option Care, Inc.	141.3	Y	Infusion therapies and services is 64% of sales Services over 30 states
Pediatric Services of America, Inc.	186.4	N	Focuses on nursing and respiratory therapy
Precision Health Systems LLC	Not Public	N	Not in Home Health Care SIC 8082
Ro Tech Medical	Not Public	N	Subsidiary of Integrated Health Services
Star Multi Care Services, Inc.	39.2	N	Too small
Sunbelt Home Health Services	Not Public	N	Not in Home Health Care SIC 8082
Tender Loving Care Health Care Services, Inc.	255.7	N	Home infusion is not a material part of revenue Over 2/3rd of sales in UK
Transworld Healthcare, Inc.	135.4	N	US services are regional (New York and New Jersey) Services include delivery of continence and wound-care products
United Medical Inc.	Not Public	N	Subsidiary of Uricare Holdings
US Oncology	1,324.2	N	Focus on Oncology Home infusion is not a material part of revenue

**Coram Healthcare**  
**Appendix 3**  
**Comparable Market Analysis - Calculation of Multiples**

	Chordia 7/00 July 31, 2000	Chumlin 12/00 December 4, 2000	UBS 12/00 December 11, 2000	D&T 12/00 December 14, 2000	Goldin 7/00 July 31, 2000	Goldin 12/00 December 14, 2000	Goldin 6/01 June 15, 2001	Goldin 8/01 August 31, 2001
<b><u>Apria Healthcare Group</u></b>								
Revenue	882,452			888,203	882,452	888,203	1,034,833	1,065,743
EBITDA	220,276			239,702	220,276	239,702	251,497	252,381
EBITDA - Capital expenditures	211,981							
Market capitalization	687,123			1,348,144	687,123	1,346,144	1,459,747	1,460,285
Debt	378,975			322,889	378,975	322,889	332,784	320,716
Enterprise value	1,046,098			1,669,133	1,046,098	1,669,133	1,792,541	1,781,001
Equity percent	84%			81%	64%	81%	81%	82%
Debt percent	36%			19%	36%	19%	19%	18%
Multiple				1.67	1.09	1.67	1.73	1.67
EV/Revenue	1.09	1.42		6.88	4.75	6.88	7.13	7.06
EV/EBITDA	4.75	5.95						
EV/EBITDA - Capital expenditures	4.84	6.26						
<b><u>American Home Patient</u></b>								
Revenue			358,832	357,135	354,850	358,832	384,404	361,501
EBITDA			28,256	28,099	27,888	28,256	28,430	28,197
EBITDA - Capital expenditures								
Market capitalization			2,166	2,326	5,504	2,166	6,123	26,124
Debt			135,342	288,417	122,407	145,341	239,255	233,350
Enterprise value			137,508	288,742	129,011	147,507	245,378	259,474
Equity percent			2%	1%	4%	1%	2%	10%
Debt percent			98%	99%	96%	99%	98%	90%
Multiple			0.38	0.81	0.36	0.41	0.67	0.72
EV/Revenue			4.87	10.31	4.62	5.22	6.63	9.20
EV/EBITDA								

**Coram Healthcare**  
**Appendix 3**  
**Comparable Market Analysis - Calculation of Multiples**

	Charm 7/00 July 31, 2000	Charin 12/00 December 4, 2000	UBS 12/00 December 11, 2000	D&T 12/00 December 14, 2000	Goldin 7/00 July 31, 2000	Goldin 12/00 December 14, 2000	Goldin 6/01 June 15, 2001	Goldin 8/01 August 31, 2001
<b>Sentiva Health Services</b>								
Revenue	1,508,269		1,415,400	1,510,970	1,508,269	1,415,400	1,478,215	1,431,888
EBITDA	46,912		48,800	(60,421)	48,912	49,900	89,508	85,340
EV/EBITDA - Capital expenditures	33,008							
Market capitalization	173,644		312,009	287,433	171,844	287,433	398,720	450,628
Debt	118,881		312,009	92,584	118,881	92,584	20,000	19,400
Enterprise value	291,335			380,017	291,335	380,017	418,720	470,028
Equity percent	59%		100%	74%	59%	74%	95%	98%
Debt percent	41%		0%	25%	41%	25%	5%	4%
Multiple								
EV/Revenue	0.10	0.28	0.22	0.24	0.18	0.25	0.28	0.33
EV/EBITDA	5.96	6.15	6.25		5.68	7.21	4.71	5.51
EV/EBITDA - Capital expenditures	6.83	7.46						
<b>In Home Health</b>								
Revenue			81,530					
EBITDA			4,408					
EV/EBITDA - Capital expenditures								
Market capitalization			20,769					
Debt			1,235					
Enterprise value			22,004					
Equity percent			94%					
Debt percent			6%					
Multiple								
EV/Revenue			0.24					
EV/EBITDA			4.59					
EV/EBITDA - Capital expenditures								

4

**Coram Healthcare**  
**Appendix 3**  
**Comparable Market Analysis - Calculation of Multiples**

	Channin 7/00 July 31, 2000	Channin 12/00 December 4, 2000	URS 12/00 December 11, 2000	DBT 12/00 December 14, 2000	Goldin 7/00 July 31, 2000	Goldin 12/00 December 14, 2000	Goldin 6/01 June 15, 2001	Goldin 8/01 August 31, 2001
<b>Linera Holdings, Inc.</b>								
Revenue	528,798			665,573				
EBITDA	246,884			288,726				
EBITDA - Capital expenditures	183,462							
Market capitalization	1,434,190			2,774,292				
Debt	269,000			288,397				
Enterprise value	1,703,190			3,062,679				
Equity percent	84%			91%				
Debt percent	16%			9%				
Multiple								
EV/Revenue	2.70	3.82		4.80				
EV/EBITDA	6.90	9.79		11.76				
EV/EBITDA - Capital expenditures	8.28	12.69						
<b>Dillon Safe, Inc.</b>								
Revenue	124,191			132,834	124,191	132,834	154,203	171,161
EBITDA	13,809			14,594	13,809	14,594	17,089	18,539
EBITDA - Capital expenditures	12,094							
Market capitalization	65,316			76,162	65,316	76,162	198,304	107,575
Debt	12,483			16,323	12,483	16,323	18,843	27,922
Enterprise value	77,809			92,485	77,809	92,485	218,007	215,097
Equity percent	84%			82%	84%	82%	91%	87%
Debt percent	16%			18%	16%	18%	9%	13%
Multiple								
EV/Revenue	0.63	0.76		0.70	0.63	0.70	1.41	1.28
EV/EBITDA	5.63	6.88		6.34	5.63	6.34	12.76	11.80
EV/EBITDA - Capital expenditures	6.03	7.37						

**Coram Healthcare**  
**Appendix 3**  
**Comparable Market Analysis - Calculation of Multiples**

	Chorin 7/00 July 31, 2000	Chorin 12/00 December 4, 2000	USG 12/00 December 11, 2000	D&T 12/00 December 14, 2000	Goldin 7/00 July 31, 2000	Goldin 12/00 December 14, 2000	Goldin 6/01 June 15, 2001	Goldin 8/01 August 31, 2001
<b><u>Pediatric Surgical, Inc.</u></b>								
Revenue			181,588					
EBITDA			9,368					
Market capitalization			29,562					
Debt			24,503					
Enterprise value			54,065					
Equity percent			55%					
Debt percent			45%					
Multiple			0.30					
EV/Revenue			5.81					
EV/EBITDA								
<b><u>US Oncology, Inc.</u></b>								
Revenue			1,267,844					
EBITDA			176,008					
Market capitalization			493,421					
Debt			305,187					
Enterprise value			798,608					
Equity percent			82%					
Debt percent			38%					
Multiple			0.83					
EV/Revenue			4.54					
EV/EBITDA								
<b><u>Calculation of Multiples:</u></b>								
EV/Revenue	0.78	1.09	6.00	0.83	0.51	0.64	0.99	0.94
EV/EBITDA	5.71	6.51		7.70	5.50	6.58	8.89	8.73
EV/EBITDA less Capital expenditures	7.41	7.43						

(GA derived its multiple by weighting the individual comparables according to their relative percentages of infusion revenue.)



Coram Healthcare  
Appendix 4  
Comparable Market Analysis - Application of Multiples - Valuation

	Charm 7/00 July 31, 2000	Charm 12/00 December 4, 2000	UBS 12/00 (1) December 11, 2000	D&T 12/00 (2) December 14, 2000	Goldin 7/00 (3) July 31, 2000	Goldin 12/00 (3) December 14, 2000	Goldin 6/01 June 15, 2001	Goldin 8/01 August 31, 2001
Coram Revenue	446,755	401,118		401,748	446,755	401,118	401,000	401,000
Coram EBITDA	33,589	27,193	33,581	35,841	45,889	39,293	20,748	28,438
Coram EBITDA less Capital expenditures	24,428	23,193						
EV/Revenue multiple	0.78	1.09		0.83	0.51	0.84	0.89	0.94
EV/EBITDA multiple	5.71	6.51	8.00	7.70	5.50	6.55	8.89	8.73
EV/EBITDA less Capital expenditures multiple	7.41	7.43						
Valuation: Revenue by EV/Revenue multiple	348,469	437,220		348,304	227,118	253,604	358,312	375,242
Valuation: EBITDA by EV/EBITDA multiple	191,793	177,925	201,488	287,287	251,444	257,849	255,555	248,225
Valuation: EBITDA less Capex by EV/EBITDA less Capex multiple	181,011	172,324						

(1) UBS Warburg calculated values varying "normalized" MIP from 4 - 8 million and the EV/EBITDA multiple from 5 - 7 times. The range of values resulting was 157,807 to 249,069.

(2) D&T added 12,852 of excess cash in their valuation calculation.

(3) Goldin normalized MIP at 5.5% of branch operating income.

Coram Healthcare  
Appendix 5  
Comparable Transaction Analysis - Selection of Comparables

Transaction Date	Charm 7/00 July 31, 2000	Charm 12/00 December 4, 2000	USG 12/00 December 14, 2000	OST 12/00 December 14, 2000	Goldin 7/00 July 31, 2000	Goldin 12/00 December 14, 2000	Goldin 6/01 June 15, 2001	Goldin 8/01 August 31, 2001
Target by Acquirer American Disease Management by MIM Corporation	04/2000	X		X	X	X	X	X
Community Care by Landauer Hospital	12/20/1999			X	X	X		
EMSA Government Services by America Service	1/27/1999	X						
Homedco by Abbey Healthcare (created Ayita)	3/2/1995		X			X	X	X
Housecall Medical by Sunbelt Home	8/4/1998	X	X	X	X	X	X	X
Infection Solutions by Amedisys	2/1/1998			X				
In Home Health by Manor Care	9/13/2000	X	X					
ProTech Medical by Integrated Health Services	7/7/1997		X				X	X
United Medical by Unicare Holdings	6/20/2000			X	X	X	X	X
Interwest Home Medical by Prexair	3/16/2001						X	X

**Coram Healthcare**  
**Appendix B**  
**Comparable Transaction Analysis - Calculation of Multiples**

	Chadlin 7/09 July 31, 2000	Chadlin 12/00 December 4, 2000	UBS 12/00 December 11, 2000	DAT 12/00 December 14, 2000	Goldin 7/00 July 31, 2000	Goldin 12/00 December 14, 2000	Goldin 6/01 June 15, 2001	Goldin 8/01 August 31, 2001
Tanet by Acutior American Disease Management by MIM Corporation EV/Revenue EV/EBITDA		1.51 5.00		1.51 5.00	1.51 5.00	1.51 5.00	1.51 5.00	1.51 5.00
Community Care by Lehigh Valley Hospital EV/Revenue EV/EBITDA			0.74 6.10	0.74 6.10	0.74 6.10	0.74 6.10	0.74 6.10	0.74 6.10
EMSA Government Services by America Service EV/Revenue EV/EBITDA	0.50	0.50						
Homedico by Abbey Healthcare EV/Revenue EV/EBITDA			8.80					
Houscall Medical by Sunbelt Home EV/Revenue EV/EBITDA	0.28 13.06	0.28 13.06	15.70	0.28 13.06	0.28 13.06	0.28 13.06	0.28 13.06	0.28 13.06
Inclusion Solutions by Amedays EV/Revenue EV/EBITDA				1.02	1.02	1.02	1.02	1.02
In Home Health by Manor Care EV/Revenue EV/EBITDA	0.41 8.88	0.41 8.88	5.10					
RoTech Medical by Integrated Health Services EV/Revenue EV/EBITDA			8.20					
United Medical by Lincare Holdings EV/Revenue EV/EBITDA				2.02	2.02	2.02	2.02	2.02
Interwest Home Medical by Praxair EV/Revenue EV/EBITDA							1.40 3.80	1.40 3.80
EV/Revenue Multiple EV/EBITDA Multiple	0.41 9.97	0.45 6.85	6.50	0.74 6.10	1.02 6.10	1.02 6.10	1.21 5.55	1.21 5.55

(GA derived its multiple by taking the median of the comps.)

Coram Healthcare  
Appendix 7  
Comparable Transaction Analysis - Application of Multiples

	Chanin 7/00 July 31, 2000	Chanin 12/00 December 4, 2000	UBS 12/00 (1) December 11, 2000	DAT 12/00 (2) December 14, 2000	Goldin 7/00 (3) July 31, 2000	Goldin 12/00 (3) December 14, 2000	Goldin 6/01 June 15, 2001	Goldin 6/01 August 31, 2001
Coram Revenue	446,755	401,119		401,740	446,755	401,119	401,000	401,000
Coram EBITDA	33,569	21,163	33,581	35,641	45,693	39,293	28,746	28,438
EV/Revenue Multiple								
EV/EBITDA Multiple	0.41 8.97	0.45 8.96	6.50	0.74 6.10	1.02 6.10	1.02 6.10	1.21 5.55	1.21 6.55
Valuation: Revenue by EV/Revenue multiple	183,170	182,248	219,278	310,146	455,690	409,141	485,210	485,210
Valuation: EBITDA by EV/EBITDA multiple	334,682	187,088		230,262	278,703	239,697	159,542	157,817

(1) UBS Warburg calculated values varying "normalized" MIP from 4 - 8 million and the EV/EBITDA multiple from 5.5 - 7.8 times. The range of values resulting was 173,697 to 288,860.

(2) DAT added 12,652 of excess cash in their valuation calculation.

(3) Goldin normalized MIP at 5.5% of branch operating income.

**EBITDA**

## Coram Healthcare

## Appendix 9

## Weighted Average Cost of Capital

	Chantix 7/00 July 31, 2000	Chantix 12/00 December 4, 2000	UBS 12/00 December 11, 2000	D&T 12/00 December 14, 2000	Goldin 7/00 July 31, 2000	Goldin 12/00 December 14, 2000	Goldin 6/01 June 15, 2001	Goldin 6/01 August 31, 2001
Pretax cost of debt (a)	8.8%		11.5%	8.9%	10.5%	9.5%	7.8%	7.3%
Assumed tax rate	40%		40%	40%	40%	40%	40%	40%
After tax cost of debt	5.2%		6.8%	5.3%	6.3%	5.7%	4.7%	4.4%
Cost of equity								
Risk free rate (b)	6.3%		5.7%	5.6%	6.3%	6.0%	5.9%	5.6%
Beta (c)	1.40		1.00	1.05	1.40	1.15	1.15	1.15
Equity risk premium (d)	8.1%		12.7%	8.1%	8.1%	8.1%	8.1%	8.1%
Company specific risk				2.2%	2.2%	2.2%	2.2%	2.2%
Size risk premium (e)	2.2%			2.2%	6.0%	5.0%	4.0%	4.0%
Turnaround premium	6.0%							
Cost of equity	25.8%		18.4%	18.3%	25.6%	22.5%	21.4%	21.0%
Debt percent	27.3%		38.3%	20.1%	20.0%	20.0%	20.0%	20.0%
Equity percent	72.7%		61.7%	79.9%	80.0%	80.0%	80.0%	80.0%
WACC	20.2%	21.8%	14.0%	15.7%	21.9%	19.1%	18.1%	17.7%

## Footnotes:

- (a) LIBOR plus 350 basis points (Goldin)  
 (b) 20-year Treasury yield  
 (c) Ibbotson Associates (Chantix); the average of the Advisors (Goldin)  
 (d) Ibbotson Associates  
 (e) Ibbotson Associates



Coram Healthcare  
Appendix 10  
Discounted Cashflow Analysis

	2001	2002	2003	2004
<u>Charrin 7/00 *</u>				
EBIT	19,557	26,851	32,616	33,281
Non-deductible amortization	7,500	7,500	7,500	7,500
EBITDA	27,157	34,351	40,116	40,881
Taxes @ 40%	10,863	13,780	16,086	16,352
Operating profit after taxes	16,294	20,571	24,130	24,529
Deductible depreciation and amortization	17,558	16,443	11,688	12,088
Capital expenditures	11,098	8,529	8,709	8,896
Change in working capital	24,715	7,163	3,030	1,781
Free Cash Flow	(1,951)	21,422	24,089	25,950
Weighted average cost of capital	20.2%	20.2%	20.2%	20.2%
Discounted free cash flow @ WACC, mid-year convention	(1,788)	16,255	15,207	13,529
Terminal value @ EBITDA - Cap ex multiple				326,714
PV factor at end of year				0.48
PV of terminal value (end of year)				159,513
Total cash flows	(1,788)	16,255	15,207	170,142
Sum of cash flows				<u>200,000</u>

	2001	2002	2003	2004
<u>GA revision to Charrin 7/00 *</u>				
EBIT	19,583	26,982	32,872	33,737
Non-deductible amortization	7,500	7,500	7,500	7,500
EBITDA	27,183	34,582	40,372	41,337
Taxes @ 40%	10,873	13,833	16,189	16,535
Operating profit after taxes	16,310	20,749	24,283	24,802
Deductible depreciation and amortization	17,558	16,443	11,688	12,088
Capital expenditures	11,098	8,529	8,709	8,896
Change in working capital	24,715	7,163	3,030	1,781
Free Cash Flow	(1,945)	21,500	24,242	26,223
Weighted average cost of capital	21.9%	21.9%	21.9%	21.9%
Discounted free cash flow @ WACC, mid-year convention	(1,762)	15,975	14,776	13,112
Terminal value @ EBITDA multiple				310,016
PV factor at end of year				0.45
PV of terminal value (end of year)				140,400
Total cash flows	(1,762)	15,975	14,776	153,513
Sum of cash flows				<u>182,502</u>

\* These calculate Coram's enterprise value as of the end of 2000. Goldin determined that adjusting its calculation to 7/31/00, after taking into account estimated free cash flow for the balance of 2000, would not make a material difference.

## Coram Health

## Appendix 10

## Discounted Cashflow Analysis

	2001	2002	2003	2004
<u>ChanIn 12/00</u>				
EBIT	25,548	29,162	28,482	29,018
Non-deductible amortization	6,536	6,536	6,536	6,536
Net operating losses	2,000	2,000	2,000	2,000
EBITA	30,085	33,698	33,028	33,555
Taxes @ 40%	12,034	13,478	13,211	13,422
Operating profit after taxes	18,051	20,219	19,817	20,133
Net operating loss addback	2,000	2,000	2,000	2,000
Deductible depreciation and amortization	4,228	5,346	7,705	8,406
Capital expenditures	11,100	10,100	3,500	3,500
Change in working capital	8,173	4,144	2,590	2,755
Free Cash Flow	4,004	14,321	23,433	24,284
Weighted average cost of capital	21.6%	21.8%	21.8%	21.8%
Discounted free cash flow @ WACC, mid-year convention				
Terminal value @ EBITDA - Cap ex multiple	3,628	10,654	14,312	12,177
PV factor at end of year				0.45
PV of terminal value (end of year)				135,484
Total cash flows	3,628	10,654	14,312	147,672
Sum of cash flows				

176,488

	2001	2002	2003	2004
<u>GA revised to ChanIn 12/00</u>				
EBIT	25,583	29,305	28,715	29,417
Non-deductible amortization	6,536	6,536	6,536	6,536
Net operating losses	2,000	2,000	2,000	2,000
EBITA	30,119	33,841	33,251	33,953
Taxes @ 40%	12,048	13,538	13,300	13,581
Operating profit after taxes	18,071	20,304	19,951	20,372
Net operating loss addback	2,000	2,000	2,000	2,000
Deductible depreciation and amortization	4,228	6,348	7,708	8,406
Capital expenditures	11,100	10,100	3,500	3,500
Change in working capital	8,173	4,144	2,590	2,755
Free Cash Flow	4,024	14,408	23,567	24,523
Weighted average cost of capital	19.1%	19.1%	19.1%	19.1%
Discounted free cash flow @ WACC, mid-year convention				
Terminal value @ EBITDA multiple	3,888	11,084	15,224	13,301
PV factor at end of year				0.50
PV of terminal value (end of year)				139,603
Total of cash flows	3,888	11,084	15,224	152,903
Sum of cash flows				

182,899

**Coram Healthcare  
Appendix 10  
Discounted Cashflow Analysis**

	2001	2002	2003	2004
<u>UBS 12/00</u>	428,543	437,556	446,875	456,506
<u>Sales</u>				
EBITA before MIP	42,404	46,219	45,558	44,908
Taxes @ 40%	16,962	18,488	18,223	17,963
NOPAT	25,442	27,731	27,335	26,945
Depreciation	4,226	6,189	7,913	9,873
Capital expenditures	(11,098)	(8,529)	(8,709)	(9,896)
Increase in debt free working capital	(15,697)	(4,486)	(2,945)	(3,047)
Payments on disputed income taxes	(2,088)	(2,088)	(2,088)	(2,088)
Estimated free cash flow before MIP	795	18,817	21,506	22,567
				54,581

(UBS assumed a range of discount rates from 14% to 18% and varying MIP levels from 4 to 6 million. These assumptions produced a range of enterprise values from 168,194 to 214,530)

<u>D&amp;T 12/00</u>	2001	2002	2003	2004
Revenue	421,836	442,928	465,075	488,328
EBITDA	37,099	45,071	48,143	51,880
Free cash flow (FCF)	3,764	16,485	26,718	29,217
Net present value of FCF	3,490	13,241	18,543	17,522
Terminal value				401,808
Net present value of total cash flows	3,490	13,241	18,543	223,999
Enterprise Value	276,795			

	Restated	Estimated	Projected	
	1998	1999	2000	2001
EBIT	4,561	(19,940)	10,880	7,484
Non-deductible amortization	7,200	7,200	7,200	7,200
EBITA	11,761	(12,740)	18,080	14,684
Taxes @ 40%	4,704	(5,096)	7,232	5,874
Operating profit after taxes	7,057	(7,644)	10,848	8,810
Deductible depreciation and amortization	14,999	13,823	12,778	13,130
Capital expenditures	10,997	5,303	3,272	11,844
Change in working capital	-	-	-	80
Unlevered free cash flow	10,999	876	20,354	10,017
WACC	18.1%			
Discounted unlevered free cash flow @ WACC				
				64,174
EBITDA				
Terminal multiple				
Terminal value				173,997
Present value of terminal value				238,171

Coram Healthcare  
Appendix 10  
Discounted Cashflow Analysis - Goldin as of August 31, 2001

	Restated		Estimated		Projected			
	1998	1999	2000	2001	2002	2003	2004	2005
EBIT	4,561	(19,940)	10,880	7,484	14,445	14,330	15,820	19,857
Non-deductible amortization	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
EBITDA	11,761	(12,740)	18,080	14,684	21,645	21,530	23,020	27,157
Taxes @ 40%	4,704	(5,096)	7,232	5,874	8,658	8,612	9,208	10,883
Operating profit after taxes	7,057	(7,644)	10,848	8,810	12,987	12,918	13,812	16,294
Deductible depreciation and amortization	14,909	13,823	12,778	13,130	14,803	17,786	20,768	23,751
Capital expenditures	10,997	5,303	3,272	11,844	10,025	3,478	3,478	3,478
Change in working capital	-	-	-	80	4,012	2,154	2,535	3,145
Unlevered free cash flow	10,969	876	20,354	10,017	13,753	25,072	28,587	33,422
WACC	17.7%				12,005	18,592	17,998	17,985
Discounted unlevered free cash flow @ WACC								66,478
EBITDA								50,908
Terminal multiple								7.14
Terminal value								363,465
Present value of terminal value								179,269
							Enterprise value	245,747



Coram Healthcare  
Appendix 12  
Normalized 2000 EBITDA

2000  
Per Company-Populated,  
Adjusted by Goldin  
Infusion Only

Infusion EBITDA 30,858  
Additional Infusion Income - joint ventures and minority interest 188  
MIP 13,630  
44,676

Normal 3.2% Reserve for Uncollectibles 12,819  
Amount deducted - current period 8,991  
Amount reversed - prior periods 3,451 (377)

Adjustments to Operating expenses (9,039)  
Additional adjustments affecting Infusion EBITDA - Operating (143)  
Adjustments to Corporate expenses (4,639)  
Adjustments not affecting Infusion EBITDA - Corporate 2,000

Normalized Pre-MIP 32,478  
MIP @ 5.5% of Branch EBITDA 3,421  
+ Post-MIP EBITDA 29,057

# **Exhibit B**



<p style="text-align: right;">Page 1</p> <p>IN THE UNITED STATES DISTRICT COURT, FOR THE DISTRICT OF DELAWARE</p> <p>ARLIN M. ADAMS, Chapter II ) Trustee of the Post- ) Case No. Confirmation Bankruptcy of ) 04-1565 Estates of Coram Healthcare ) CORPORATION, and of CORAM, ) INC., a Delaware corporation, ) Plaintiff, ) vs. ) DANIEL D. CROWLEY, DONALD J. ) AMARAL; WILLIAM J. CASEY; L. ) PETER SMITH; and SANDRA L. ) SMOLEY, ) Defendants. )</p> <p>-----</p> <p>Wednesday, March 21, 2007</p> <p>10:20 a.m.</p> <p>Deposition of HARRISON GOLDIN held at the offices of Cerberus Capital Management, L.P., 1177 Avenue of the Americas, New York, New York pursuant to Notice, before Danielle Grant, a Notary Public of the State of New York.</p>	<p style="text-align: right;">Page 2</p> <p>1 A P P E A R A N C E S:</p> <p>2 SCHNADER HARRISON SEGAL &amp; LEWIS, LLP</p> <p>3 Counsel for Plaintiff Arlin Adams, Trustee</p> <p>4 1600 Market Street, Suite 3600</p> <p>5 Philadelphia, PA 19103-7286</p> <p>6 BY: WILBUR L. KIPNES, ESQ.</p> <p>7 MICHAEL J. BARRIE, ESQ.</p> <p>8 wkipnes@schnader.com</p> <p>9 mbarrie@schnader.com</p> <p>10</p> <p>11 KEKER &amp; VAN NEST, LLP</p> <p>12 Counsel for Daniel Crowley</p> <p>13 710 Sansome Street</p> <p>14 San Francisco, California 94111</p> <p>15 BY: R. JAMES SLAUGHTER, ESQ.</p> <p>16 rslaughter@kvn.com</p> <p>17</p> <p>18 KRAMER LEVIN NAFTALIS &amp; FRANKEL, LLP</p> <p>19 Counsel for Witness</p> <p>20 1177 Avenue of the Americas</p> <p>21 New York, New York 10036</p> <p>22 BY: KENNETH H. ECKSTEIN, ESQ.</p> <p>23 PHILIP BENTLEY, ESQ.</p> <p>24 keckstein@kramerlevin.com</p> <p>25 pbentley@kramerlevin.com</p>
<p style="text-align: right;">Page 3</p> <p>1</p> <p>2 IT IS HEREBY STIPULATED AND</p> <p>3 AGREED, by and among counsel for</p> <p>4 the respective parties hereto, that</p> <p>5 the filing, sealing and certification</p> <p>6 of the within deposition shall be and</p> <p>7 the same are hereby waived.</p> <p>8 IT IS FURTHER STIPULATED AND</p> <p>9 AGREED that all objections, except as</p> <p>10 to the form of the question, shall be</p> <p>11 reserved to the time of the trial.</p> <p>12 IT IS FURTHER STIPULATED AND</p> <p>13 AGREED that the within deposition may</p> <p>14 be signed before any Notary Public</p> <p>15 with the same force and effect as if</p> <p>16 signed and sworn to before the Court.</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 4</p> <p>1</p> <p>2 HARRISON J. GOLDIN, called as a</p> <p>3 witness, having been first duly sworn by</p> <p>4 Danielle Grant, a Notary Public within and</p> <p>5 for the State of New York, was examined and</p> <p>6 testified as follows:</p> <p>7 BY MR. KIPNES:</p> <p>8 Q Good morning, Mr. Goldin. My name</p> <p>9 is Will Kipnes. I represent Arlin M. Adams as</p> <p>10 Chapter 11 Trustee of the Bankruptcy Estates of</p> <p>11 Coram in the lawsuit pending in the United States</p> <p>12 District Court, District of Delaware against</p> <p>13 Daniel D. Crowley and others.</p> <p>14 Would you tell me a little bit</p> <p>15 about the business of Goldin Associates?</p> <p>16 A Yes, sir. Goldin Associates is a</p> <p>17 financial advisory firm that specializes in</p> <p>18 distressed situations. We act either as</p> <p>19 financial advisors to debtor companies or in</p> <p>20 other instances to their institutional creditors.</p> <p>21 We also perform interim management services.</p> <p>22 We provide litigation support</p> <p>23 services in distressed situations and we act</p> <p>24 extensively as a fiduciary, as a trustee, as an</p> <p>25 examiner, as a special master to the courts;</p>

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1 H. Goldin  
2 sentence states, "It does not appear, however,  
3 that Crowley or Feinberg acted with culpable  
4 intent with the sort alleged in the Equity  
5 Committee's Complaint." What do you mean  
6 "culpable intent"?  
7 A It's hard for me to recollect with  
8 specificity all of these many years later  
9 specifically what the underlying elements were  
10 that led me to this conclusion other than that  
11 Coram had been so deeply insolvent throughout the  
12 period that we examined that one could not  
13 conclude that it would have been rationale for  
14 the CEO leading Coram not to have sought to  
15 maximize the value of Coram.  
16 Q My question is: whether you intend  
17 the culpable intent to be some statement of a  
18 legal standard?  
19 MR. BENTLEY: Objection to form.  
20 A Mr. Kipnes, I do have a law degree,  
21 although I have not practiced law in many, many  
22 years and do not purport to practice. I recite  
23 that because everything I do professionally is  
24 surely informed and shaped by my training and  
25 experience as a lawyer, but I do not personally

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1 H. Goldin  
2 Q And under your recommendation, those  
3 Noteholders were to get \$3 million -- excuse me,  
4 those general unsecured contractors were to get  
5 \$3 million?  
6 A As I recollect, it was \$3 million  
7 out of 10 million.  
8 Q Less than a hundred cents on the  
9 dollar?  
10 A That's my recommendation.  
11 Q Mr. Crowley could have used the \$6.3  
12 he didn't pay the Noteholders to pay the payment.  
13 MR. BENTLEY: Objection to the form.  
14 MR. SLAUGHTER: Objection to the  
15 form.  
16 A That is something I would need to  
17 review to comment on.  
18 Q Based on what you remember of your  
19 extensive work in this matter, are you aware of  
20 any constraints on Mr. Crowley that would have  
21 precluded him from paying a supplier of syringes  
22 to Coram who was owed money?  
23 A Did you use the word constraint?  
24 MR. SLAUGHTER: Objection.  
25 Q Yes.

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1 H. Goldin  
2 express legal opinions and so I am sure that I  
3 did not mean to express a legal opinion in using  
4 those words.  
5 Q There is a reference to an interest  
6 payment made by Mr. Crowley to the Noteholders  
7 shortly before the filing of the bankruptcy  
8 petition on Page 11?  
9 A Yes, sir.  
10 Q You were critical of his decision to  
11 do that; is that correct?  
12 MR. SLAUGHTER: Objection to the  
13 form.  
14 A Yes. As I indicate on Page 11, the  
15 decision to make that payment, I found  
16 troublesome.  
17 Q Notes held by the Noteholders were  
18 unsecured; is that correct?  
19 A I have not a lot of recollection  
20 about the specifics of those notes, Mr. Kipnes.  
21 Q Coram filed for bankruptcy on  
22 August 8, 2000. At the time there were general  
23 unsecured creditors other than the Noteholders,  
24 do you recall that?  
25 A Yes, sir.

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1 H. Goldin  
2 A The period preceding the bankruptcy  
3 filing at Coram was likely as it is at virtually  
4 every company with which I am familiar that  
5 ultimately files for bankruptcy, a tumultuous  
6 period in which typically strenuous efforts are  
7 made to avoid a bankruptcy. And in which  
8 management pursues alternatives and options which  
9 it hopes and often prays will somehow or other  
10 avoid the need to file.  
11 The mindset that led to the  
12 determination to make that payment is not one  
13 that I am able fully to reconstruct. I do know  
14 that I found the payment of the \$6.3 million  
15 troublesome. I also remember that in the end  
16 the company was not harmed by the payment of  
17 the \$6.3 million, which I believe is likely  
18 reflected in the report, although I would have  
19 to review the report carefully to be sure that  
20 it is.  
21 Q In the course of your work, did you  
22 consult with any person who held himself or  
23 herself out as a damages expert?  
24 A Well, I recall that I had  
25 considerable conversation with counsel. The

Pages 57 to 60

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1 H. Goldin  
2 were interviewed in connection with your report.  
3 I think he may have pointed you to the portion of  
4 your report, the beginning that listed the people  
5 interviewed at pages six, seven and eight of your  
6 report.  
7 Do you recall those questions from  
8 Mr. Kipnes?  
9 A I do.  
10 Q Do you recall, as far as you knew,  
11 no one from the Equity Committee was on that  
12 list?  
13 A Was on that list?  
14 Q Yes?  
15 A Correct.  
16 Q Did you attempt to interview a  
17 member of the Equity Committee?  
18 A That list in the report is a list of  
19 fact witness, people involved in Coram or with  
20 Coram or for Coram who participated directly sent  
21 that could help to elucidate for us what had  
22 transpired and assist us in forming the  
23 conclusions based on their activity, involvement  
24 and participation.  
25 During the course of the

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1 H. Goldin  
2 A That's correct.  
3 MR. SLAUGHTER: Objection to the  
4 form.  
5 Q You were not an examiner reporting  
6 to the Court; is that correct?  
7 A That is correct.  
8 Q You were an independent restructure  
9 advisor retained by the advisory committee of  
10 Coram Board of Directors?  
11 A Correct.  
12 Q Final word on factual findings rests  
13 with the Court, correct?  
14 MR. SLAUGHTER: Objection to form.  
15 A Yes, sir.  
16 Q In the course of your investigation,  
17 did you form a view as to when it was that Coram  
18 decided that it would be filing a Chapter 11  
19 proceeding?  
20 MR. SLAUGHTER: Objection to the  
21 form; beyond the scope.  
22 A We spoke to the issue, not as  
23 directly as you asked, how when you questioned me  
24 earlier today, Mr. Kipnes, and I say to you in my  
25 experience, company's don't make the final

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1 H. Goldin  
2 deposition, as I have looked at material as  
3 it's been shown to me, I have noticed that  
4 there were instances in which we met with  
5 members of the Equity Committee and involve any  
6 specific recollection of those meetings.  
7 Indeed, I don't have any specific recollection  
8 of the people. But as I say, I have seen in  
9 the exhibits that have been shown to me over  
10 the course of the day references to meetings  
11 that I had with members of the Equity  
12 Committee.  
13 Q You are confident in connection with  
14 the preparation of your report you were able to  
15 ascertain the views of the Equity Committee and  
16 incorporate them as you saw fit into the final  
17 report that was submitted?  
18 A I'm confident that I had a full  
19 grasp of the views of the Equity Committee.  
20 MR. SLAUGHTER: I have nothing  
21 further, thank you.  
22 BY MR. KIPNES:  
23 Q Mr. Goldin, you were not a trier of  
24 fact in Coram's confirmation hearing; is that  
25 correct?

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1 H. Goldin  
2 decision virtually until they pull the trigger.  
3 The implication of that is that  
4 they may begin the process of preparing for a  
5 possible filing much earlier, interviewing,  
6 restructuring counsel consider what the all the  
7 it have finding are related to it. But I  
8 said earlier today that in my experience, and  
9 these are not the words I use, hope and prepare  
10 predominate until the very end, and they pull  
11 the trigger.  
12 Therefore, I don't know when the  
13 decision was made definitively by Coram to  
14 file, but if it's typical, which I had no  
15 reason to believe it was not, it was probably  
16 late in the game prior to its filing.  
17 Q Mr. Slaughter asked you when you  
18 first put CPS on the market and you say you don't  
19 recall whether it was, Mr. Crowley or Mr. Smith?  
20 A Yes, I did.  
21 Q Do you recall Mr. Smith left Coram  
22 in October of 1999?  
23 A I have a general recollection of  
24 that, yes.  
25 Q Do you recall that restructuring

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1 H. Goldin

2 obligated to pay --

3 A I did other than the 6.3, the

4 interest payment.

5 Q The interest payment was separate?

6 A Yes.

7 Q Did you have the Amara testimony?

8 A which exhibit is that?

9 Q I referenced, I handed you a

10 transcript.

11 A I do not have it.

12 Q Mr. Kipnes asked you some questions

13 and redirected you to 424 and 425 about the

14 timing of the CPS sale going up. This is -- who

15 decided to put CPA up for sale? Answer, I did.

16 When was that, probably at the end of my tenure,

17 March, April, 1999.

18 Does that refresh your

19 recollection Mr. Amara put CPS up for sale?

20 A It does not.

21 MR. SLAUGHTER: I have nothing

22 further.

23 MR. KIPNES: I am done.

24

25 (Time noted: 4:00 p.m.)

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1 H. Goldin

2

3 HARRISON J. GOLDIN

4 Subscribed and sworn to before me

5 this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

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1 H. Goldin

2 CERTIFICATE

3 STATE OF NEW YORK )

4 )ss:

5 COUNTY OF RICHMOND)

6 I, DANIELLE GRANT, a Certified

7 Shorthand Reporter, and Notary

8 Public within and for the State of

9 New York, do hereby certify:

10 That HARRISON J. GOLDIN, the

11 witness whose deposition is

12 hereinbefore set forth, was duly

13 sworn by me and that such

14 deposition is a true record of the

15 testimony given by such witness.

16 I further certify that I am not

17 related to any of the parties to

18 this action by blood or marriage

19 and that I am in no way interested

20 in the outcome of this matter.

21 In witness whereof, I have hereunto

22 set my hand this 29th day of March,

23 2007.

24

25

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